

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-03 INR-07 L-02 ACDA-05

NSAE-00 PA-01 PRS-01 SP-02 USIA-06 TRSE-00 SAJ-01

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C O N F I D E N T I A L SECTION 2 OF 3 NATO 1174V

11. IT WAS SUGGESTED BY THE DIRECTORATE OF ECONOMIC AFFAIRS THAT MORE ATTENTION MIGHT BE GIVEN TO CONCEPTS SUCH AS THE ACCUMULATION OF CAPITAL, THE PRODUCTIVITY OF INVESTMENTS AND THE QUALITATIVE ASPECTS OF GROWTH.

C. TRADE AND BALANCE OF PAYMENTS PROBLEMS

12. THE UNITED STATES REPRESENTATIVE STRESSED THE NEED FOR AN ANALYTICAL EXAMINATION OF THE TRADE RELATIONS OF THE COMMUNIST COUNTRIES. AS REGARDS EAST-WEST TRADE, THE MAIN ARRAS FOR STUDY CONTINUED TO BE (I) THE ASSESSMENT OF THE MOTIVATIONS, PARTICULARLY ON THE EASTERN SIDE, OF THIS TRADE, (II) THE FINANCING OF TRADE AND THE AVAILABILITY OF CREDITS IN ITS VARIOUS FORMS TO COMMUNIST COUNTRIES, (III) THE EXPERIENCE OF WESTERN COUNTRIES, E.G. IN THE WORKING OF THE BILATEAL TRADE AND ECONOMIC CO-OPERATION AGREEMENTS, (IV) THE IMPACT OF THE TRANSFERS OF WESTERN TECHNOLOGY ON COMMUNIST ECONOMIES.

13. THE UNITED STATES REPRESENTATIVE SUGGESTED THAT STRUCTURAL CHNGES IN THE EAST EUROPEAN ECONOMIES MIGHT HAVE INCREASED THEIR DEPENDENCE ON TRADE BOTH WITH THE WEST AND THE SOVIETUNION; THEIR TRADE WITH THE WESTCAN NO LONGER BE REGARDED AS MARGINAL.

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14. THE FRENCH REPRESENTATIVE UNDERLINED THE INTEREST IN STUDYING THE MONETARY ASPECT OF COMECON TRADE, NOT ONLY THAT WITH THE WEST BUT ALSO TRADE WITHIN THE AREA. HE ALSO SUGGESTED THAT THE EAST EUROPEAN COUNTRIES SEEM TO BE DIRECTING AN INCREASED SHARE OF THEIR TRADE TO WESTERN COUNTRIES AND THAT THIS MAY BE IN CONFORMITY WITH THE OVERALL COMECON PLAN FOR PRODUCTION AND EXTERNAL TRADE. IT WAS POSSIBLE THAT A PART OF IMPORTS FROM THE WEST INCORPORATING ADVANCED TECHNOLOGY WILL, IN ONE FORM OR ANOTHER, BENEFIT THE SOVIET UNION. THE FRENCH REPRESENTATIVE DREW ATTENTION TO THE NEED FOR CLOSE CO-OPERATION BETWEEN NATO CAPITALS IN ASSEMBLING THE REQUIRED DATA FOR THE STUDIES OF THE BALANCE OF PAYMENTS OF THE COMMUNIST COUNTRIES. THE QUESTION OF THE VALUE OF SOVIET GOLD AND DIAMOND SALES WAS RAISED IN THIS CONNECTION.

15. THE GERMAN REPRESENTATIVE GENERALLY AGREED WITH HIS FRENCH COLLEAGUE. HE ALSO SUGGESTED THAT THE COMECON COMPREHENSIVE PROGRAMME AND THE PROCESS OF SPECIALIZATION AND INTEGRATION WITHIN COMECON BE FOLLOWED. HE INDICATED THAT THE SOVIET UNION MAY NOT BE PREPARED FULLY TO MEET THE NEEDS OF EASTERN EUROPE FOR OIL AND OTHER RAW MATERIALS. THE CANADIAN REPRESENTATIVE ADDED THAT SOVIET DELIVERIES OF BASIC PRODUCTS TO THE EAST EUROPEAN COUNTRIES ARE RELATED TO THE NEED TO MAINTAIN ITS CONTROL OF THE AREA.

16. IT WAS AGREED THAT INDUSTRIAL CO-OPERATION AGREEMENTS BETWEEN WESTERN AND EAST EUROPEAN FIRMS WERE AN ELEMENT OF GROWING INTERDEPENDENCE WHICH, HOWEVER, WAS DIFFICULT TO ASSESS IN QUANTITATIVE TERMS.

D. ASSESSMENT OF STRENGTH AND WEAKNESS OF WARSAW PACT ECONOMIES

17. IN VIEW OF THE WEAKENING OF THE WESTERN ECONOMICS AS A RESULT OF INFLATION, UNCERTAINTIES WITH REGARD TO THE INTERNATIONAL MONETARY SYSTEM, THE RISE IN COST OF ENERGY AND OTHER BASIC PRODUCTS, THERE WAS A GENERAL CONCERN THAT THE RELATIVE STRENGTH OF THE WARSAW PACT MIGHT HAVE INCREASED.

18. MOREOVER, WITHIN COMECON THE TERMS OF TRADE HAVE MOVED
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IN FAVOUR OF THE SOVIET UNION. PRICE CHANGES AFFECTING BASIC PRODUCTS AND INDUSTRIAL GOODS WILL TAKE PLACE AND ARE LIKELY TO BE GREATER IN THE CASE OF THE FORMER. THERE IS A POSSIBILITY THAT PRICES MAY HENCEFORTH BE REVIEWED ANNUALLY INSTEAD OF EVERY FIVE YEARS. THE SOVIET UNION MIGHT CHOOSE TO LIMIT ITS PRICE INCREASES IN EXCHANGE FOR POLITICAL CONCESSIONS BY ITS COMECON

PARTNERS.

19. THE GERMAN REPRESENTATIVE UNDERLINED THAT THE SOVIET UNION MIGHT USE ITS INCREASEDECONOMIC POWER AS AN INSTRUMENT FOR FOREIGN POLICY. FOR THIS REASON IT WAS AGREED THAT CONTINUING ASSESSMENT OF THE STRENGTH AND WEAKNESSES OF WARSAW PACT ECONOMIES WAS DESIRABLE.

20. THE CANADIAN REPREENTATIVE CALLED ATTENTION TO CERTAIN BASIC WEAKNESSES OF THE SOVIET ECONOMY: GENERAL LACK OF FLEXIBILITY, VERY LOW LEVEL OF TECHNOLOGY THROUGH THE NON-MILITARY SECTORS EVIDENCED BY RECOURSE TO WESTERN PRODUCTS AND TECHNOLOGY TO OVERCOME BOTTLENECKS, ABSENCE OF CO-ORDINATION BETWEEN RESEARCH AND DEVELOPMENT AND MANUFACTURING.

E. GLOBAL ISSUES

21. THE CANADIAN REPRESENTATIVE CALLED ATTENTION TO CERTAIN PROBLEMS OF GLOBAL DIMENSION WHICH DESERVE CONSIDERATION BY THE ECONOMIC COMMITTEE. THESE INCLUDED ENERGY, WORLD POPULATION, WORLD FOOD SUPPLIES, TO WHICH ECONOMIC INTELLIGENCE ORGANIZATIONS ARE DEVOTING GREATER ATTENTION.

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